

SEPURA PLC (LSE: SEPU)  
2 JUNE 2009

**SEPURA PLC**  
**AUDITED PRELIMINARY RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

Sapura plc (the "Company"), a leading global provider of TETRA digital radios, today announces its preliminary results for the year ended 31 March 2009.

**Financial Highlights:**

- Revenue up 9% to £74.1m, benefitting from the strong Euro with volumes up 7%
- Gross margin maintained
- Operating profits down 12% to £13m before non-recurring costs<sup>1</sup>
- Closing net funds increased to £5.4m, with cash of £15.8m
- Diluted EPS before non-recurring costs<sup>1</sup> down 4%, mitigated by a lower tax rate
- Proposed final dividend held at 0.85p, increasing annual dividend to 1.27p per share

**Operational Highlights:**

- Gordon Watling appointed as Chief Executive Officer
- New STP8000 hand-held radio drives continuing sales wins in Germany
- Comprehensive restructuring of business concluded to improve efficiency
- European manufacturing transferred to MELECS
- Additional output moved to Chinese manufacturing partner TCB
- UK replacement success continues

<b>Summary Financial Information</b>	<b>2009 £'000</b>	2008 £'000	Change
International revenue	<b>45,992</b>	41,266	+ 11%
UK revenue	<b>28,108</b>	26,839	+ 5%
Total revenue	<b>74,100</b>	68,105	+ 9%
<i>Gross margin</i>	<i>52.5%</i>	52.7%	
Operating profit (excluding non-recurring costs <sup>(1)</sup> )	<b>13,007</b>	14,674	- 12%
Operating profit	<b>10,505</b>	12,533	- 16%
Diluted EPS	<b>6.3p</b>	6.3p	-
Diluted EPS (excluding non-recurring costs <sup>(1)</sup> )	<b>7.6p</b>	7.9p	- 4%
Annual dividend	<b>1.27p</b>	0.85p	+ 49%
Adjusted diluted EPS (excluding capitalisation of research and development expenditures <sup>(2)</sup> )	<b>4.9p</b>	4.8p	+ 2%

<sup>1</sup> Non-recurring costs comprise restructuring costs of £1.3m and impairment of capitalised R&D of £1.2m in 2009 and IPO costs of £2.1m in 2008.

<sup>2</sup> Adjusted diluted EPS excluding non-recurring costs and excluding the capitalisation of research and development costs (together with associated amortisation and net of UK Corporation Tax at the standard rate).

**Philip Nolan, Chairman of Sepura, commenting on the results for the year, said:**

“Although not immune to the global financial slowdown, Sepura has proved resilient and delivered revenue growth in a difficult environment. The Company has defended its position in the mature UK market and has won very significant tenders in Germany. Internal restructuring led by new CEO, Gordon Watling, has trimmed the operational cost base and funded increased investment in sales. The general economic conditions continue to be challenging and at this stage the outlook remains uncertain and we expect limited revenue growth this year.”

A presentation of the preliminary results to analysts will be held today at 9.00 am at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BB. The presentation will be available on the investor relations page of our web-site following the event at <http://investors.sepura.com>.

The 2009 Annual Report will be distributed to Shareholders on 22 June 2009, together with the Notice of the Annual General Meeting to be held on Tuesday 21 July 2009.

**FOR FURTHER INFORMATION PLEASE CONTACT:**

**Sepura**

Tel: 01223 876 000

Philip Nolan, Chairman

Gordon Watling, Chief Executive Officer

Stephen Crowther, Chief Financial Officer

**Powerscourt (Media Enquiries)**

Tel: 020 7250 1446

Paul Durman

Rob Greening

***CAUTIONARY STATEMENT:***

This Preliminary Statement contains certain forward-looking statements with respect to the operations, performance and financial condition of Sepura. By their nature, future events and circumstances can cause results and developments to differ materially from those anticipated. No undertaking is given to update the forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this Preliminary Results announcement should be construed as a profit forecast.

**NOTES TO EDITORS:**

**About Sepura**

Sepura is a global leader in the design, development and supply of TETRA (**TE**rrestrial **TR**unked **RA**dios) digital mobile radios. These are secure communication devices dedicated to professional front-line services and first-responder personnel users, predominantly in the public safety sector (i.e. police, fire, ambulance and rescue) but also in the transport, military, utilities and commercial sectors.

TETRA technology facilitates reliable radio communications at all times and offers secure voice and data transmissions – free from the possibility of eavesdropping. It is mission critical and often life saving benefits such as these which are driving and accelerating the continued migration from analogue to digital communication networks. TETRA has now become the dominant and fastest growing digital Private Mobile Radio standard in the world and is present in more than 100 countries.

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Sepura is focused solely on TETRA radio terminals and accessories. Our vision is to become the number one supplier of TETRA radios globally and we are making good progress in this strategic direction.

Based in Cambridge, England, and employing some 300 people across the business, the Company was admitted to the Official List of the London Stock Exchange on 3 August 2007.

For further information please visit [www.sepura.com](http://www.sepura.com).

## **CHAIRMAN'S STATEMENT**

This year the global financial crisis has produced a challenging economic environment for both customers and suppliers. Although the TETRA market has not been immune to the global economic slowdown in the short term, it has been resilient and we remain confident in the growth prospects over the medium to long term.

Against this backdrop, Sepura has taken decisive steps towards achieving its strategic objective of being the number one TETRA radio supplier.

We have achieved early success in Germany which is forecast to become the largest TETRA market in the world. We have won five of the first six tenders to be awarded including two of the top Länder by potential volumes. This outstanding performance demonstrates the competitiveness of the STP8000 radio and effectiveness of our local distribution partner.

We are already planning our approach for the next wave of significant markets.

The UK remains the largest and most mature TETRA market in both the world and in Sepura's portfolio. Here the replacement cycle has begun and Sepura has so far retained 19 out of 20 customers who have ordered replacement radios.

Gordon Watling, our new Chief Executive Officer, has taken the first steps to improve operating efficiencies across the business. He has restructured operations to provide resources for increased investment in sales and marketing and product introduction. This has created a solid and cost effective platform to support future growth.

Gordon has also led the drive to optimise manufacturing costs and diversify supply. The transfer of our main European manufacturing base from Siemens to MELECS has delivered significant cost reductions. In China, our manufacturing partner, TCB, is increasing its capacity and producing a wider range of our products. These developments will deliver a robust and cost-effective supply chain to better serve our growing customer base.

During the past year Sepura has demonstrated its resilience in the face of the challenging market conditions. We have a strong balance sheet, a focused team and dedicated partners.

The outlook is never very clear this early in the financial year. However, in recent weeks we have seen indications that some orders may slip into the next financial year. This, allied with the tough global economic conditions, dictates that we take a cautious view and at this stage we expect limited revenue growth this year. The Company is engaged in a number of opportunities which could mitigate the potential slippage and we will report on these as the year progresses. We remain confident in the strength of the Company and in the medium to long term outlook for the business.

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## **BUSINESS REVIEW**

### ***INTRODUCTION***

Despite a challenging economic backdrop, we grew revenues 9% to £74.1m, with volumes increasing 7% to 125,500 units. Foreign exchange was a major contributor to our revenue growth as the strength of the Euro increased the value of the contribution from our international business. We maintained our gross margin, but increased operating expenses reduced our operating margin, before non-recurring costs, from 22% to 18%. Diluted earnings per share before non-recurring costs also fell by 4% to 7.6p per share. We finished the year with a strong balance sheet, including net funds of £5.4m, an increase of £3.4m.

### ***BALANCING OUR SKILLS TO BETTER SERVE OUR CUSTOMERS***

While we have made significant progress in the last year, it became evident that Sepura's cost base was no longer structured in line with the needs of our business. We therefore undertook a comprehensive review of our operations which resulted in the restructuring programme announced on 31 March 2009. This has provided resources to allow us to enhance the local skills and presence needed to grow our market-share in emerging markets, and to increase our focus on the development of new products. At the same time, we have strengthened our management team to reinforce a professional, performance-based culture focused on winning business, creating innovative products and delivering exceptional customer service.

### ***BREAKING NEW GROUND IN GERMANY***

We are delighted by our initial contract wins in Germany, which is rapidly confirming its status as potentially the largest emerging TETRA market in the world. The recently announced win in Baden Württemberg brings Sepura's total to five of the first six federal states to commence tendering for terminals. This represents 98% of the radios awarded to date, and we are confident that we can build on this platform as further states release their tenders in the coming year.

BD-BOS, the federal agency implementing the TETRA network across Germany, has recently announced that suitable sites for base stations have yet to be identified in some rural areas. While this may delay the tendering process in some states, our initial wins have been for deployment in primarily urban areas such as Bremen, Stuttgart and Munich where the network roll-out remains on schedule. We delivered over 11,000 radios into Germany in the final quarter of the year, and are confident that volumes will increase as network deployment continues. Our initial successes in Germany validate our strategy of building relationships with key local partners, in this instance Selectric GmbH, which has an excellent reputation among public-safety agencies across Germany. We extend our thanks to Selectric for its contribution in establishing Sepura as the market-leader in this important market.

### ***UK REPLACEMENT CYCLE ON TRACK***

The UK continued to be the largest TETRA market in the world and accounted for 45,600 units, or over one third of our total volumes. Of these, 30,000 units were delivered to 17 police forces which are currently replacing their ageing fleets of TETRA radios. This supports our belief that initial contract wins, supported by product innovation and first class customer service, secure valuable follow-on business over the life-cycle of a network.

We shipped the two surveillance orders which had slipped at the end of 2008, and delivered 4,000 radios under the Airwave Ambulance contract as this nears completion. We have also seen increasing penetration of TETRA into "orange light" agencies, and the first UK commercial applications such as Cardiff's Radionet system, connecting retail, local government, entertainment and leisure businesses in Cardiff city centre with police and CCTV control rooms.

### ***OTHER MARKETS DEVELOPING GLOBALLY***

Sepura has achieved considerable success in its other core European markets, such as Sweden, Spain and Hungary, although progress in Italy remains slower than initially anticipated. We also saw demand from French customers, where TETRA is gaining ground among local municipalities, and from the Benelux region. The expansion of EU borders has seen a number of new member states implementing TETRA networks to improve border security, and we made significant shipments into Estonia and Macedonia. We expect further tenders to be announced in neighbouring states in the coming year.

We delivered 25,000 radios to customers across a range of geographies across Asia-Pacific. The Beijing Olympics showcased TETRA's value to police and other public-safety agencies in co-ordinating their response to large-scale events. We expect this to act as a further catalyst for future demand in the region.

TETRA network deployments in the Middle East continue to gather pace and we have responded by establishing a dedicated sales office in Jordan to support our penetration in this region. TETRA's initial foothold in Africa is also

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expanding and we are currently shipping a significant order for a new African network being built. Despite the economic downturn in recent years across South and Central American economies, we continue to build our presence by securing key business in Mexico and Argentina.

In total we supplied products to a further three new countries during the year bringing our global presence to 94 countries. We are now the market leader in 27 of these.

### ***CREATIVITY AND INNOVATION***

A significant factor in our contract wins in Germany has been the development of the STP8000 range of hand-held radios, incorporating features demanded by end-users in this important market. During the year we also launched the SRH3900 hand-held radio for the UK replacement cycle, which has in turn helped us to maintain our market-leading position in the UK. Further software functionality and enhanced encryption products have also been introduced.

We have taken steps to ensure we extract the maximum return from our significant annual investment in research and development. Replicating our UK and German successes will require products and features that continue to meet the needs of our current customers and those in emerging markets. Our product pipeline includes a focused range of market-specific features that we believe will offer the same compelling proposition as the STP8000 and the SRH range.

### ***SERVING OUR CUSTOMERS***

Serving customers is at the heart of Sepura's success, with our flexibility and speed of response vital to securing business and further building our reputation. It is critical that all of our supply-chain partners demonstrate the same level of commitment, and we have challenged them to prove that they are all capable of contributing to our long-term success. A detailed assessment of critical suppliers has ensured they offer a low-cost yet secure supply, by bench-marking them against "best-in-breed" to ensure that they offer us a competitive edge while retaining the financial strength to survive the current economic turmoil.

This approach is exemplified by the transfer of our European production with effect from 1 April 2009 to MELECS, a new company formed from the Siemens contract manufacturing business SIMEA, which has proved capable of delivering the high-quality manufacturing that we demand at competitive prices. Production is now underway at the MELECS sites in Siegendorf and Sibiu, and they have committed to pursuing further cost-savings from production in low-cost economies within the next two years.

At the same time we have invested in additional capacity at our Chinese manufacturing partner TCB, and extended the range of products which can be sourced from both of our manufacturing partners. We expect TCB to manufacture an increasing proportion of our units this year. Quality and yields have exceeded our initial expectations and customers across the globe have been quick to approve Chinese-sourced products for use on their networks. We also believe our local manufacturing presence will help us secure additional business in the emerging Chinese market.

Our logistics partner is building a dedicated Sepura warehouse, which will bring all of our warehousing into one central location approximately three times as large as our existing facilities. This will enhance the efficiency, speed and security of our logistics services while reducing costs in this area.

In summary, the significant changes we have made to improve both our efficiency and cost base have positioned us for what we believe will continue to be a challenging environment in the forthcoming year. We have also taken further steps to ensure we invest in resources to reinforce our plans for the next phase of emerging TETRA markets.

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## **FINANCIAL REVIEW**

### ***REVENUES***

Total revenues for the year increased by 9% from £68.1m to £74.1m. Our International customers, representing over 60% of revenues, are invoiced primarily in Euros and the strengthening of the Euro during the year had a significant impact on our results; on a constant currency basis revenues would have been flat.

Overall terminal volumes increased by 7%, resulting in an ARPUS (Average Revenue Per Unit Shipped) of £591, an increase of 2% from £579 in 2008. Excluding the benefit of the strong Euro, ARPUS fell 8% to £533 reflecting an average 5% fall in selling prices and lower UK surveillance business as the market matures.

International revenues increased 11% to £46.0m (2008: £41.3m). Volumes decreased 10% to 79,900 and ARPUS increased by 23% from £468 to £576. While the increase in ARPUS was mainly driven by the strengthening of the Euro, we continued to increase sales of accessories and software licences to our International customers.

UK revenues increased 5% to £28.1m (2008: £26.8m), with 45,600 units delivered, an increase of 55% over the 29,400 units shipped in 2008. A significant proportion of these shipments were to police forces under their replacement programmes, which are generally at lower prices than previous contracts and require fewer accessories than new radios. This, in conjunction with reduced surveillance business in the year, contributed to the anticipated decline in the UK ARPUS of 33% to £616 from £913 last year.

Our revenues continue to include large government contracts and as such are prone to lumpiness. The impact in the current year of large contracts was broadly the same as last year.

### ***GROSS MARGIN***

Our successful ongoing strategy to source lower cost components, improve yields and reduce the cost of manufacturing processes enabled us to maintain our margin at 52.5% (2008: 52.7%) despite lower sales prices.

The gross margin in the International business increased from 52% to 56%, reflecting the ongoing product cost-reduction programme including the reduced costs associated with manufacturing at our Chinese partner TCB. Margins in the UK, although also benefiting from the cost-reduction programme, were adversely affected by the strength of the Euro as the majority of our product costs are in Euros, and fell from 66% to 60%. Lower margin police replacement business and reduced surveillance business also contributed to this reduction, as expected.

The transfer of our European manufacturing to MELECS is an important step in achieving further cost savings. This, combined with additional volumes manufactured by TCB, will secure our supply and help support our future margins.

### ***NON-RECURRING COSTS***

On 31 March 2009 we announced the completion of a major review of the Group's internal operations, which would result in the restructuring of the business to improve efficiency and streamline costs. A corresponding provision was made in the year of £1.3m to cover redundancy and related costs. The programme has now largely been completed in line with our expectations. The majority of the savings arising from this exercise will be reinvested in additional sales capability and in new product development to drive the future growth of the Company.

At the same time we reviewed our portfolio of development projects and identified an alternative, more cost effective approach to completing some of these projects. This resulted in an impairment charge of £1.2m against our capitalised development costs. This has no cash impact as the associated expenditure had already been incurred.

Last year £2.1m of costs were incurred in relation to the Company's Listing in August 2007.

### ***RESEARCH AND DEVELOPMENT COSTS (BEFORE NON-RECURRING COSTS)***

Investment in research and development continues to be critical to ensure that we provide the right products for our customers and that we continue to grow the business. Gross expenditure on R&D increased by 11% from £13.8m last year to £15.3m, representing 21% of revenue, slightly increased from 20% last year. We completed the development of the STP8000 during the year, and have continued to develop the range for new markets and applications while expanding the associated range of available accessories. The SRH3900 product for the UK police replacement market was also launched during the year, and ongoing work continued on the development of software functionality and upgrades across our portfolio.

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We expect the gross research and development spend will stabilise in the medium term although we will continue our programme of new product development and technical innovation as we drive efficiency out of our spend.

The income statement charge reflects the timing of the capitalisation and subsequent amortisation of the development expenditure, and increased by 28% during the year to £10.0m (2008: £7.8m). We capitalised 71% of research and development expenditure (2008: 75%) and commenced amortisation of the development costs incurred on the STP range. The gross expenditure and income statement charges will converge in the medium-term as the growth in spend reduces as a percentage of revenue.

### ***SELLING, MARKETING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES (BEFORE NON-RECURRING COSTS)***

Selling, marketing and distribution costs increased 7% to £9.4m (2008: £8.8m) as we continue to develop our routes to market. During the year we opened a dedicated office in the Middle East and have recruited business development managers in other key geographies where we see significant opportunities for TETRA.

Administrative costs (including other (losses) gains) increased by 41% from £4.6m to £6.5m; excluding foreign exchange losses of £0.1m in 2009 and gains of £1.2m in 2008 respectively the increase was 10%. This was mainly as a result of the full year impact of the additional resources required to comply with the obligations associated with our listing. We have also made further investments in our manufacturing capabilities as we have increased volumes in TCB and prepared for the transfer to MELECS, together with investments in process improvements and efficiencies.

Total selling, marketing, distribution and administrative costs (excluding non-recurring costs) increased marginally as a percentage of revenue to 21% (2008: 20%). Tight control of overhead expenditure will continue to be important as we seek to hold SG&A costs.

### ***OPERATING PROFIT***

Operating profit for the year was £10.5m (2008: £12.5m). Excluding non-recurring costs operating profit in the year was £13.0m (2008: £14.7m), a decrease of 12% from last year. Operating margin, excluding non-recurring costs, decreased to 18% from 22% in the previous year.

### ***EPS***

Diluted earnings per share for the year was flat at 6.3p benefiting from a lower tax charge. Excluding the impact of non-recurring costs in the current year, diluted earnings per share fell 4% from 7.9p to 7.6p per share.

Our earnings are impacted year-on-year by the timing of the capitalisation and subsequent amortisation of our development expenditure; and adjusted diluted earnings per share based on expensing our development costs as they are incurred rose 2% from 4.8p to 4.9p per share.

### ***CASHFLOWS***

Cash generated from trading operations has continued to fund the Group's activities. Cash generated in the year was £0.2m (2008: £7m); prior to loan repayments and dividend payments, cash generated was £5.1m (2008: £8.7m). Cash generated from trading operations was £19.4m, down from £26.8m (pre IPO costs) in 2008 due to lower operating profit and higher working capital. Working capital increased due to higher debtors as a greater proportion of revenue was invoiced in March, and higher stock. Debtor days fell to 36 days (2008: 53 days), an excellent result given the high level of International business. Stock-turn improved to 5 times during the year (2008: 4 times), and this will continue to be an area of focus in the coming year.

Capital expenditure comprises:

- £1.8m (2008: £2.5m) spent on property, plant and equipment, including £0.9m on test equipment to support our development and manufacturing capabilities;
- £1.2m (2008: £1.2m) on intangible assets, including the second payment of £1m to complete the early buy-out of future IPR fees payable to a technology partner; and
- £10.9m (2008: £10.4m) of capitalised R&D expenditure.

During the year we made net interest payments on our debt and finance lease facilities of £0.5m (2008: £0.7m), including interest received on cash balances.

No UK Corporation Tax was required to be paid in the current year due to the availability of tax losses arising on the IPO (2008: £0.8m paid in respect of 2006).

After allowing for these payments we increased our net funds by £3.4m (2008: £8.7m). We made scheduled repayments of £3.2m (2008: £1.7m) of borrowings, and paid dividends totalling £1.7m (2008: nil).

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## **TREASURY AND TAXATION**

### **(1) FINANCING**

At the end of the year the Group had net funds of £5.4m (2008: £2.0m), consisting of £15.8m (2008: £15.6m) of cash net of £10.4m (2008: £13.6m) of borrowings representing the outstanding balance on the initial £15m drawn down from our loan facility. All of the covenants associated with the loan were complied with during the year. The Group also has in place a further £15m of unutilised credit facilities, although our current plans are for future development of the business to be funded from organic operating cashflows. We propose to maintain this facility as it provides additional flexibility while the macroeconomic environment remains uncertain. We will continue to review the position on a regular basis.

### **(2) TAX**

Our effective tax rate for the year was 13% compared to 28% in 2008 (16% and 23% excluding the impact of the non-recurring costs). This is lower than the standard rate of UK corporation tax as we benefit from additional relief on our research and development expenditure. The rate of relief was increased by the Chancellor from 25% to 75% during the year, which has significantly reduced our 2009 tax charge.

We also continued to benefit from the taxable losses created on the exercise of employee share options immediately prior to listing, which means that there is no UK tax payable in respect of 2009. We have a further £7.9m (net) of losses available for offset against future taxable profits. We have also recognised deferred tax liabilities of £5.9m in relation to our development costs, which are capitalised under IFRS. Although these do not represent future tax cash payments, they will be released to income as the related costs are amortised.

### **(3) TREASURY**

The interest charge for the year was £0.9m (2008: £1.2m), giving interest cover of 14 times (2008: 12 times) based on operating profit before non-recurring costs. With interest rates currently at a post-war low we have put in place an interest cap arrangement covering all our remaining loans to maturity, reducing our exposure to any future significant increases in LIBOR. Interest income was £0.4m (2008: £0.7m) reflecting the reduction in interest rates during the year.

Our principal currency exposure is to the Euro as this is the currency in which we invoice the majority of our International customers. This exposure is partly hedged naturally as we also purchase products from our principal manufacturing partners in Euros. As our international business continues to develop we have put in place a programme of hedging residual major Euro exposures. We are also indirectly exposed to the US\$ in those locations where the underlying market pricing is in this currency.

We continue to pay particular attention to our credit exposure in the light of the current recession, although as the end users of our equipment are predominantly Government organisations we believe our counterparty credit exposure is minimal. The risk of default by distribution partners is managed by the use of advance payments and letters of credit as appropriate.

## **BALANCE SHEET**

With net assets of £35.8m (2008: £28.6m), including £15.8m (2008: £15.6m) of cash, the Group has a strong balance sheet which provides us with confidence that we can respond to the current market environment and any new opportunities as they arise.

## **DIVIDENDS**

The Board has proposed a final dividend of 0.85p per Ordinary share in respect of the year (2008: 0.85p), payable on 14 August 2009 to Shareholders on the register at the close of business on 17 July 2009, giving a total dividend of 1.27p per Ordinary share for the full year (2008: 0.85p). This reflects the Board's policy of distributing approximately 20% of the Group's annual profit, one-third as an interim and two-thirds as a final dividend. The Board intends, in the absence of unforeseen circumstances, to continue to apply this dividend policy in future years.

## **ACCOUNTING POLICIES**

There have been no changes in accounting policies during the year, and we do not anticipate any material impact on earnings or net assets for the coming year as a result of the implementation of forthcoming standards.

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## Consolidated income statement

		2009			2008		
	Note	Before non-recurring items £'000	Non-recurring items £'000	Total £'000	Before non-recurring items £'000	Non-recurring items £'000	Total £'000
<b>Revenue</b>	3	<b>74,100</b>	–	<b>74,100</b>	68,105	–	68,105
Cost of sales		(35,214)	–	(35,214)	(32,193)	–	(32,193)
<b>Gross profit</b>		<b>38,886</b>	–	<b>38,886</b>	35,912	–	35,912
Selling, marketing and distribution costs		(9,352)	(397)	(9,749)	(8,770)	–	(8,770)
Research and development costs		(10,020)	(1,727)	(11,747)	(7,821)	–	(7,821)
Administrative expenses		(6,500)	(378)	(6,878)	(4,675)	(2,141)	(6,816)
Other (losses) gains		(7)	–	(7)	28	–	28
<b>Operating profit</b>		<b>13,007</b>	<b>(2,502)</b>	<b>10,505</b>	14,674	(2,141)	12,533
Financial income		364	–	364	654	–	654
Financial expense		(869)	–	(869)	(1,200)	–	(1,200)
<b>Net financial expense</b>		<b>(505)</b>	–	<b>(505)</b>	(546)	–	(546)
<b>Profit before income tax</b>		<b>12,502</b>	<b>(2,502)</b>	<b>10,000</b>	14,128	(2,141)	11,987
Income tax expense	4	(1,970)	701	(1,269)	(3,319)	–	(3,319)
<b>Profit for the year attributable to equity holders</b>		<b>10,532</b>	<b>(1,801)</b>	<b>8,731</b>	10,809	(2,141)	8,668
<b>Earnings per share (p)</b>							
Basic	5	7.7	(1.3)	6.4	8.4	(1.6)	6.8
Diluted	5	7.6	(1.3)	6.3	7.9	(1.6)	6.3

The results above relate to continuing operations.

## Consolidated statement of changes in equity

	Note	Share capital £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2007</b>		–	13,249	13,249
Excess tax on share option scheme		–	6,455	6,455
Net income recognised directly in equity		–	6,455	6,455
Profit for the year		–	8,668	8,668
Total recognised income and expense		–	15,123	15,123
Bonus issue		56	(56)	–
Employee share option scheme: value of employee services		–	204	204
Issue of shares		12	–	12
<b>At 31 March 2008</b>		<b>68</b>	<b>28,520</b>	<b>28,588</b>
Excess tax on share option scheme		–	34	34
Net income recognised directly in equity		–	34	34
Profit for the year		–	8,731	8,731
Total recognised income and expense		–	8,765	8,765
Employee share option scheme: value of employee services		–	209	209
Equity dividends paid	6	–	(1,733)	(1,733)
<b>At 31 March 2009</b>		<b>68</b>	<b>35,761</b>	<b>35,829</b>

## Consolidated balance sheet

	Note	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	7	22,747	18,762
Property, plant and equipment		4,208	4,270
Deferred tax asset		2,411	3,596
<b>Total non-current assets</b>		<b>29,366</b>	<b>26,628</b>
<b>Current assets</b>			
Inventories		10,196	8,497
Trade and other receivables		21,414	16,134
Derivative financial instruments		–	28
Cash and cash equivalents		15,771	15,597
<b>Total current assets</b>		<b>47,381</b>	<b>40,256</b>
<b>Total assets</b>		<b>76,747</b>	<b>66,884</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	8	(2,952)	(2,952)
Derivative financial instruments		(7)	–
Finance lease liabilities		–	(273)
Trade and other payables		(22,177)	(18,959)
Income tax payable		(479)	(429)
Provisions	9	(1,734)	(327)
<b>Total current liabilities</b>		<b>(27,349)</b>	<b>(22,940)</b>
<b>Non-current liabilities</b>			
Borrowings	8	(7,378)	(10,330)
Trade and other payables		(5,382)	(4,418)
Provisions	9	(809)	(608)
<b>Total non-current liabilities</b>		<b>(13,569)</b>	<b>(15,356)</b>
<b>Total liabilities</b>		<b>(40,918)</b>	<b>(38,296)</b>
<b>Net assets</b>		<b>35,829</b>	<b>28,588</b>
<b>Shareholders' equity</b>			
Ordinary share capital	10	68	68
Retained earnings		35,761	28,520
<b>Total shareholders' equity</b>		<b>35,829</b>	<b>28,588</b>

## Consolidated statement of cashflows

	Note	2009 £'000	2008 £'000
<b>Cash generated from operations</b>	11	<b>19,343</b>	24,252
Income taxes paid		–	(813)
<b>Net cash generated from operating activities</b>		<b>19,343</b>	23,439
<b>Cash flow from investing activities</b>			
Interest received		<b>364</b>	654
Purchase of property, plant and equipment		<b>(1,755)</b>	(2,467)
Capitalised development costs		<b>(10,861)</b>	(10,380)
Purchase of other intangible assets		<b>(1,175)</b>	(1,241)
Proceeds on disposal of property, plant and equipment		<b>10</b>	–
<b>Net cash used in investing activities</b>		<b>(13,417)</b>	(13,434)
<b>Cash flow from financing activities</b>			
Repayment of borrowings		<b>(3,000)</b>	(1,500)
Interest paid		<b>(821)</b>	(1,324)
Dividends paid to shareholders		<b>(1,733)</b>	–
Repayment of capital element of finance leases		<b>(198)</b>	(201)
Issue of share capital		–	12
<b>Net cash used in financing activities</b>		<b>(5,752)</b>	(3,013)
<b>Net increase in cash and cash equivalents</b>		<b>174</b>	6,992
Cash and cash equivalents at 1 April		<b>15,597</b>	8,605
<b>Cash and cash equivalents at 31 March</b>	12	<b>15,771</b>	15,597

## 1. General information

Sepura plc (“the Company”) is a public limited company incorporated and domiciled in England and Wales, and whose Ordinary shares of £0.0005 each are traded on the Main Market of the London Stock Exchange. The Company’s registered office is Radio House, St Andrew’s Road, Cambridge, CB4 1GR, England.

The Board of Directors approved the preliminary announcement on 1 June 2009. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company within the meaning of section 240 of the Companies Act 1985.

The auditors have reported on the results for the years ended 31 March 2009 and 31 March 2008. Their reports were not qualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Statutory accounts for the year ended 31 March 2009 will be delivered to the Registrar of Companies following the Company’s Annual General Meeting on 21 July 2009. Details of the resolutions to be proposed at that meeting will be included in the notice of Annual General Meeting to be sent to shareholders. Further copies of the report will be available from the Company Secretary and on the Company’s website at [www.sepura.com](http://www.sepura.com).

## 2. Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and International Financial Reporting Interpretations Committee (“IFRIC”) recommendations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. For the purposes of the preparation of the consolidated financial information, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 April 2008. There have been no changes in accounting policies during the year.

## 3. Segment reporting

The Group has a single business segment, being the design, development and distribution of secure digital radios for use on public safety networks operating on the TETRA standard. Distribution is either directly to end-users in the UK, or through our international distribution partners to end-users overseas.

The Group’s primary reporting format is by geographical segment, namely UK and International, which is determined by reference to the geographical location of the Group’s customers and reflects the distribution channels referred to above. The segments are organised and managed separately according to the sales focus of the management involved, with each segment representing a strategic business unit that serves a different market. All revenue is derived from external operations arising in the UK, and there is no inter-segmental revenue.

With the exception of its sales offices, the Group does not maintain operating facilities overseas. As a result, all of the Group’s assets and liabilities are located in the UK, with the exception of those associated with its overseas sales offices, inventories in transit to or from customers or suppliers, and test and manufacturing equipment located at suppliers overseas. In order to provide further information on the activities of the Group, the following tables allocate the results, assets and liabilities of the Group between the following segments:

- UK  
Revenues and costs incurred in servicing end-user customers in the UK, together with those assets and liabilities exclusively associated with those customers;
  - International  
Revenues and costs incurred in servicing our international distribution partners and their end-user customers around the world, together with those assets and liabilities exclusively associated with those customers, such as inventory lines designed for specific frequencies used by a particular overseas market; and
  - Unallocated  
Costs, assets and liabilities which do not relate exclusively to either specific UK or International customers or relate to the operations of the Group as a whole. For example, many individual inventory lines may be utilised by either UK or International customers and are categorised as “unallocated” until such time as they are modified for the exclusive use of, or are despatched to, a particular customer.
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### 3. Segment reporting (continued)

Segment reporting details are provided below:

For the year ended 31 March 2009	United Kingdom £'000	International £'000	Unallocated £'000	Total £'000
<b>Income statement information</b>				
Segmental revenue	28,108	45,992	–	74,100
Segmental gross profit	16,797	25,637	(3,548)	38,886
<b>Operating profit</b>	<b>15,904</b>	<b>21,145</b>	<b>(26,544)</b>	<b>10,505</b>
Net financial expense	–	–	(505)	(505)
Income tax expense	–	(47)	(1,222)	(1,269)
<b>Profit for the year</b>	<b>15,904</b>	<b>21,098</b>	<b>(28,271)</b>	<b>8,731</b>
<b>Balance sheet information</b>				
<b>Segment assets</b>				
Intangible assets	–	1,767	20,980	22,747
Property, plant and equipment	–	587	3,621	4,208
Deferred tax asset	–	–	2,411	2,411
Inventories	–	1,559	8,637	10,196
Trade and other receivables	7,563	13,185	666	21,414
Cash and cash equivalents	–	200	15,571	15,771
	<b>7,563</b>	<b>17,298</b>	<b>51,886</b>	<b>76,747</b>
<b>Segment liabilities</b>				
Borrowings	–	–	(10,330)	(10,330)
Derivative financial instruments	–	(7)	–	(7)
Trade and other payables	(9,189)	(3,638)	(14,732)	(27,559)
Income tax payable	–	(47)	(432)	(479)
Provisions	(1,754)	(789)	–	(2,543)
	<b>(10,943)</b>	<b>(4,481)</b>	<b>(25,494)</b>	<b>(40,918)</b>
<b>Other segment information</b>				
Balance sheet items				
Capital expenditure:				
– Property, plant and equipment	–	225	1,530	1,755
– Intangible fixed assets	–	1,575	9,590	11,165
Profit and loss items				
Depreciation	12	287	1,507	1,806
Amortisation	–	163	5,786	5,949
Impairment of intangible assets	–	–	1,231	1,231
Share-based payment charge	–	–	209	209
Impairment of inventories	–	–	553	553

### 3. Segment reporting *(continued)*

For the year ended 31 March 2008	United Kingdom £'000	International £'000	Unallocated £'000	Total £'000
<b>Income statement information</b>				
Segmental revenue	26,839	41,266	–	68,105
Segmental gross profit	17,604	21,442	(3,134)	35,912
<b>Operating profit</b>	16,578	16,977	(21,022)	12,533
Net financial expense	–	–	(546)	(546)
Income tax expense	–	–	(3,319)	(3,319)
<b>Profit for the year</b>	16,578	16,977	(24,887)	8,668
<b>Balance sheet information</b>				
<b>Segment assets</b>				
Intangible assets	–	355	18,407	18,762
Property, plant and equipment	12	649	3,609	4,270
Deferred tax asset	–	–	3,596	3,596
Inventories	–	1,430	7,067	8,497
Trade and other receivables	4,381	10,846	907	16,134
Derivative financial instruments	–	28	–	28
Cash and cash equivalents	–	27	15,570	15,597
	4,393	13,335	49,156	66,884
<b>Segment liabilities</b>				
Borrowings	–	–	(13,282)	(13,282)
Finance lease liabilities	–	–	(273)	(273)
Trade and other payables	(6,125)	(2,899)	(14,353)	(23,377)
Income tax payable	–	–	(429)	(429)
Provisions	(507)	(428)	–	(935)
	(6,632)	(3,327)	(28,337)	(38,296)
<b>Other segment information</b>				
Balance sheet items				
Capital expenditure:				
– Property, plant and equipment	27	731	2,070	2,828
– Intangible fixed assets	–	146	12,346	12,492
Profit and loss items				
Depreciation	15	82	1,160	1,257
Amortisation	–	165	4,475	4,640
Share-based payment charge	1	64	139	204
Impairment of inventories	–	–	401	401

#### 4. Income tax expense

The tax charge for both years is lower than the standard rate of corporation tax in the UK, which is 28% (2008: 30%). The differences are explained below:

	2009 £'000	2008 £'000
Profit before income tax	10,000	11,987
At standard rate of corporation tax in the UK	2,800	3,596
<b>Effects of:</b>		
Research and development enhanced expenditure	(1,601)	(672)
Expenses not deductible for tax purposes (principally IPO costs in 2008)	62	560
Effect of overseas tax rates	8	5
Exercise of employee share options	–	(748)
Remeasurement of deferred tax due to change in UK tax rate	–	373
Adjustments in respect of prior years	–	205
<b>Total tax charge</b>	<b>1,269</b>	<b>3,319</b>

## 5. Earnings per share

Basic earnings per share has been calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of shares of the Company for each period. For diluted earnings per share, the weighted average number of shares is adjusted to allow for the conversion of all dilutive equity instruments.

	2009	2008
Earnings attributable to ordinary shareholders (£'000)	<b>8,731</b>	8,668
<i>Number of shares</i>		
Basic weighted average number of shares ('000)	<b>136,412</b>	128,036
<i>Effect of dilutive securities:</i>		
Employee incentive plans ('000)	<b>1,913</b>	9,350
Diluted weighted average number of shares ('000)	<b>138,325</b>	137,386
Basic EPS (p)	<b>6.4</b>	6.8
Diluted EPS (p)	<b>6.3</b>	6.3

The Group presents adjusted earnings per share figures which exclude the impact of non-recurring costs incurred in the current and prior periods. Adjusted earnings per share has been based on adjusted basic earnings for each financial period and on the same number of diluted weighted average shares in issue as the GAAP earnings per share calculation above.

	2009 £'000	2008 £'000
Earnings attributable to ordinary shareholders	<b>8,731</b>	8,668
Restructuring costs, net of tax	<b>1,801</b>	–
IPO costs, net of tax	–	2,141
Earnings attributable to ordinary shareholders excluding restructuring and IPO costs	<b>10,532</b>	10,809
Adjusted basic EPS excluding restructuring and IPO costs (p)	<b>7.7</b>	8.4
Adjusted diluted EPS excluding restructuring and IPO costs (p)	<b>7.6</b>	7.9

The Group also presents an adjusted earnings per share figures which excludes the capitalisation of R&D costs (together with associated amortisation and net of UK Corporation Tax at the standard rate). This adjusted earnings per share has been based on adjusted basic earnings for each financial period and on the same number of diluted weighted average shares in issue as the GAAP earnings per share calculation above.

Earnings attributable to ordinary shareholders excluding restructuring and IPO costs	<b>10,532</b>	10,809
Reversal of capitalised R&D and associated amortisation, net of UK Corporation Tax at 28% (2008: 30%)	<b>(3,806)</b>	(4,202)
Adjusted earnings attributable to ordinary shareholders excluding capitalised R&D, restructuring and IPO costs	<b>6,726</b>	6,607
Adjusted diluted EPS excluding capitalised R&D, restructuring and IPO costs (p)	<b>4.9</b>	4.8

## 6. Dividends

The Directors have proposed a final dividend in respect of the financial year ended 31 March 2009 of 0.85p per Ordinary share, or £1,163,000 based on the Ordinary shares in issue at 31 March 2009. The proposed dividend, which is subject to approval by shareholders, has not been included as a liability in these financial statements and will be paid on 14 August 2009 to Shareholders registered on 17 July 2009. The ex-dividend date is 15 July 2009.

During the year the Company paid an interim dividend of 0.42p per Ordinary share, totalling £573,000, in respect of the financial year ended 31 March 2009 and a final dividend in respect of the financial year ended 31 March 2008 of 0.85p per Ordinary share, totalling £1,160,000.

## 7. Intangible assets

	Capitalisation of development costs £'000	Software and similar licences £'000	Total £'000
<b>Cost</b>			
At 1 April 2007	17,706	–	17,706
Additions	10,380	2,112	12,492
At 31 March 2008	28,086	2,112	30,198
Additions	10,861	304	11,165
<b>At 31 March 2009</b>	<b>38,947</b>	<b>2,416</b>	<b>41,363</b>
<b>Amortisation</b>			
At 1 April 2007	(6,796)	–	(6,796)
Charge for the year	(4,377)	(263)	(4,640)
At 31 March 2008	(11,173)	(263)	(11,436)
Charge for the year	(5,575)	(374)	(5,949)
Impairment	(1,231)	–	(1,231)
<b>At 31 March 2009</b>	<b>(17,979)</b>	<b>(637)</b>	<b>(18,616)</b>
<b>Net book value</b>			
<b>At 31 March 2009</b>	<b>20,968</b>	<b>1,779</b>	<b>22,747</b>
At 31 March 2008	16,913	1,849	18,762
At 31 March 2007	10,910	–	10,910

During the year the Group reviewed its portfolio of development projects and identified an alternative, more cost effective approach on some projects which resulted in an impairment charge of £1,231,000 relating to the spend on these projects which is no longer of value to the business.

## 8. Borrowings

On 27 October 2006 the Group entered into a £30,000,000 multi-currency term loan and revolving facilities agreement with a floating interest rate of 1.5% over LIBOR. £15,000,000 was drawn down against the facility on 27 October 2006, and is repayable in 60 equal quarterly instalments commencing in December 2007. The outstanding capital at 31 March 2009 was £10,500,000 (2008: £13,500,000), and unamortised issue costs were £170,000 (2008: £218,000).

The unused facility of £15,000,000 expires on 11 September 2012.

## 9. Provisions

	Restructuring £'000	Warranty £'000	Total £'000
At 1 April 2008	–	935	<b>935</b>
Charged to the income statement	1,271	1,008	<b>2,279</b>
Utilised in year	(140)	(531)	<b>(671)</b>
At 31 March 2009	1,131	1,412	<b>2,543</b>
Less: amounts due for settlement within 12 months (shown under current liabilities)	(1,131)	(603)	<b>(1,734)</b>
Amount due for settlement after 12 months	–	809	<b>809</b>

### Restructuring provision

During the year the Group undertook a major review of its internal operations resulting in a restructuring to improve efficiency and streamline costs. A provision was made during the year of £1.3m to cover redundancy and related costs.

### Warranty provision

A warranty provision is made at the time of sale for the estimated cost of providing standard warranty cover which cannot be separated from the sale of the underlying goods. The provision is calculated based on historical information regarding the cost and frequency of repairs required to the Group's products. Warranty cover is typically provided over a period of one to five years. The Group also has back-to-back warranties of between twelve and fifteen months with the majority of its sub-contract manufacturers to limit risk on liabilities arising on manufacturing defects.

## 10. Ordinary share capital

During the year the Company issued 125,440 Ordinary shares of £0.0005 each in relation to the exercise of employee share options. At the end of the period the Company's issued share capital comprised 136,478,580 Ordinary shares of £0.0005 each (2008: 136,353,140).

## 11. Cash generated from operations

	2009 £'000	2008 £'000
Profit before income tax	10,000	11,987
<i>Adjustments for:</i>		
Depreciation charges	1,806	1,257
Amortisation charges	5,949	4,640
Impairment	1,231	–
Equity settled share based payment charge	209	204
Loss on disposal of fixed assets	1	–
Loss (gain) on derivative financial instruments	35	(28)
Financial income	(364)	(654)
Financial expense	869	1,200
<i>Cash generated from operations before movements in working capital</i>	<i>19,736</i>	<i>18,606</i>
Increase in inventories	(1,699)	(2,536)
(Increase) decrease in trade and other receivables	(5,355)	3,850
Increase in trade and other payables	5,053	4,097
Increase in provisions	1,608	235
<i>Movements in working capital</i>	<i>(393)</i>	<i>5,646</i>
<b>Cash generated from operations</b>	<b>19,343</b>	<b>24,252</b>

## 12. Reconciliation of cash flows to movements in net funds (debt)

	2009 £'000	2008 £'000
Net increase in cash and cash equivalents	174	6,992
Repayment of borrowings	3,000	1,500
Repayment of finance lease liabilities	198	201
Changes in net funds resulting from cash flows	3,372	8,693
Amortisation of debt issue costs	(48)	(48)
Loss on disposal and repurchase of financial assets amortised over the course of the finance lease	75	82
Net movements in net funds	3,399	8,727
Net funds (debt) at the beginning of the period	2,042	(6,685)
<b>Net funds at the end of the period</b>	<b>5,441</b>	<b>2,042</b>
Net funds comprises:		
Cash and cash equivalents	15,771	15,597
Borrowings	(10,330)	(13,282)
Finance lease liabilities	–	(273)
	<b>5,441</b>	<b>2,042</b>